

## BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEALS OF SNOW ) APPEAL NOS. 07-A-2062  
MOUNTAIN, LLC. from the decision of the Board of ) THROUGH 07-A-2084  
Equalization of Shoshone County for tax year 2007. ) FINAL DECISION  
 ) AND ORDER

### COMMERCIAL PROPERTY APPEALS

THESE MATTERS came on for consolidated hearing September 26, 2007, in Wallace, Idaho, before Hearing Officer Steven Wallace. Board Members Lyle R. Cobbs, Linda S. Pike and David E. Kinghorn participated in this decision. Kenneth Smith and Ray Flaherty appeared for Appellant. Assessor Jerry White and Deputy Assessor Greg Saylor appeared for Respondent Shoshone County. These appeals are taken from a decision of the Shoshone County Board of Equalization denying the protests of the valuation for taxing purposes of 23 properties described specifically by Parcel No. on Attachment A.

**The issue on appeal is the market value of commercial property.**

**The decisions of the Shoshone County Board of Equalization are affirmed in part, and modified in part.**

### FINDINGS OF FACT

The parties' respective value positions for the 23 subject parcels are reflected on Attachment A. The parcels can be generally segregated into two groups of appeals, the (6) "school property" appeals and the 17 "Wildcat Way" appeals.

The Sunnyside Elementary School associated with the school property appeals was built in 1929. The building areas total 28,756 square feet. The lot is 2.1842 acres or 95,143 square feet. Appellant purchased the property in 2000 and has done extensive remodel work. The property now houses a variety of spaces including office area, storage, warehouse space, and

a gym and locker room. There are 68,000 square feet of asphalt paving and almost 700 lineal feet of fencing.

Appellant placed a value of \$3.25 per square foot on all the subject land . The rate was based on a single, nearby “10-acre” sale dating to January of 2005. A reasonably complete description of the terms of sale was not available, however the seller reported the rate of \$3.25 per square foot was indicated by the sale. Appellant contended the price paid was excessive, and the property is superior to the subject property. Appellant claims that in the local marketplace, the overall size of a lot makes little or no difference on the indicated price per unit.

An income approach value of \$1,324,506 was offered by Appellant on the school property. Limited information was offered in support of the income approach and there was no explanation regarding the derivation of the 9% capitalization rate. The Assessor’s income approach, likewise offered with limited supporting information, totaled \$1,943,524. The unsupported capitalization rate was 10%.

The Wildcat Way improvements value proposed by Appellant was a representation of actual cost less 20% for depreciation. The improvements reportedly consist of newer paving laid in 2004 at a cost of \$381,159. The Wildcat Way lots were last purchased in 2004 for \$785,515, or \$2.74 per square foot. These lots serve as parking area for Dave Smith Motors and total 6.59 acres (286,861 square feet.) Taxpayer’s total market value for the 13 parcels was \$1,246,367. The actual assessed value for the same property was approximately \$3,056,345.

Subject was last reappraised for the 2005 tax year. Subsequent trending of this base value occurred in 2006 and again for the current 2007 tax year to maintain assessed values at market value. On appeal, the assessor presented information on five (5) commercial, 2006 improved property sales. Two, 2006 sales were presented as the only available local land sales.

The indicated rates per square foot of land were \$6.13 for .62 acres and \$11.22 for .32 acres. The land and improved sales were not compared or adjusted in a traditional sales comparison approach. Some sales analysis was offered. The referenced trending applied in 2007 was determined from a sales ratio study of the same five improved commercial property sales.

In the last reappraisal, the Assessor determined the 2005 cost new for the paving was about \$1.42 per square foot. After the two subsequent years of trending, the paving was assessed on average at about \$3.65. Appellant is associated with extensive local paving experience in recent years, and it was reported the current asphalt paving cost was near \$1.80 per square foot. This \$1.80 replacement cost was not disputed by the County.

In preparation for hearing, Respondent discovered a trending error on the asphalt paving for one of the school properties, parcel no. RPD0900003001AA, appeal no. 07-A-2063. The correct total value for this parcel should be \$51,889 rather than \$73,894. The County requested the Board make the indicated reduction in value against the improvement category.

### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Property assessments are based on the status and market value of property on January 1 of each assessment year. Idaho Code §§ 63-205(1), 63-201(10), 63-208 *et seq.* The specific date of valuation pertaining to the market value issue in this appeal was January 1, 2007.

In an appeal filed with this Board, the burden of proof falls upon the Appellant "to establish that the valuation from which the appeal is taken is erroneous . . . [a] preponderance of the

evidence shall suffice to sustain the burden of proof.” Idaho Code § 63-511(4).

The assessed values were arrived at through a process of periodic reappraisal with trend factors applied in the years between reappraisal. The trending was substantial and applied twice over the two-year time frame. The sales relied on for determining trends for all Kellogg commercial property were not highly similar to the subject properties under review. The Kellogg sales information is found to clearly indicate material increases in commercial property values over the last two years.

Limited market information and appraisal analysis, including an income approach, was also offered by the County. Albeit not directly or precisely, the assessments were based on a consideration of recent local sales data and recognized (directed) assessment practices.

There were recent local sales available that could have been incorporated into a current sales comparison approach, or into current value indications from the cost and income approaches to value. However the Board notes the dated county appraisals were updated (trended) with reference to recent, time-adjusted sales information. With one exception discussed below, the Board considered the assessor-generated values to be more persuasive and procedurally sound in relation to current market value.

Appellant’s value cases relied in significant part on a single, dated “10-acre” land sale. The full price and sale terms were not fully disclosed or known. Improvement values were tied to this land sale information. Booked cost expenditures were depreciated by 20% or valued through an income approach and combined with the land value. The 20% depreciation was not market abstracted, particularly precise or tailored to the property in question. The related value claims relied heavily on a dated, 9.03 acre land sale where important information was unknown.

In no instance were Appellant’s valuation model results measured against actual recent

sales information. The Board found taxpayer's valuation model bore some relation to appraisal techniques, but significantly failed to duly consider recent and local available sales and price information. The notable exception is the asphalt paving information. Pertaining to subject's newer asphalt paving, Appellant's case was bolstered with testimony of current replacement cost averaging \$1.80 per square foot. The Board found the Assessor generally agreed that the 2007 assessed value of the paving, arrived at through extensive trending, far exceeded its current replacement cost. Paving is easily laid or replaced. The Board agrees the trended value for the paving is erroneous. Under the attendant circumstances, the Board will adjust the current market value of the paving to a rate of \$1.80 per square foot. The values of the remaining improvements and the underlying land will not be changed, Appellant having failed to meet the burden of proof.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the value decisions of the Shoshone County Board of Equalization concerning the subject parcels be, and the same hereby are, MODIFIED to reflect a decrease in the asphalt paving assessments to \$1.80 per square foot. The Assessor shall promptly prepare a schedule to list the paved area by parcel and the indicated reductions reflected by this order. The Treasurer shall then determine the tax adjustments by parcel.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

**Attachment A****State Board of Tax Appeals**

Snow Mountain LLC appeals - Shoshone County

	<b>Appeal No.</b>	<b>Parcel No.</b>	<b>Assessed Value</b>	<b>Taxpayer Value</b>
1.	07-A-2062	RPD00000061215A	\$35,569	\$18,928
2.	07-A-2063	RPD0900003001AA	\$73,894	\$44,638
3.	07-A-2064	RPD135000E003CA	\$31,315	\$17,056
4.	07-A-2065	RPD135000E0060A	\$1,943,524	\$1,117,749
5.	07-A-2066	RPD1550013013AA	\$33,784	\$21,377
6.	07-A-2067	RPD00000055500A	\$151,281	\$104,759
7.	07-A-2068	RPD09750010030A	\$412,860	\$166,861
8.	07-A-2069	RPD09750010040A	\$285,710	\$114,637
9.	07-A-2070	RPD09750010050A	\$191,020	\$77,375
10.	07-A-2071	RPD0975001006A	\$132,830	\$54,199
11.	07-A-2072	RPD0975001006BA	\$31,210	\$13,161
12.	07-A-2073	RPD0975001007AA	\$320,880	\$129,441
13.	07-A-2074	RPD0975001007BA	\$33,311	\$13,267
14.	07-A-2075	RPD09750020010A	\$229,880	\$93,119
15.	07-A-2076	RPD09750020020A	\$226,540	\$91,786
16.	07-A-2077	RPD0975002003AA	\$237,170	\$104,918
17.	07-A-2078	RPD0975002003BA	\$110,330	\$44,902
18.	07-A-2079	RPD0975002004AA	\$295,340	\$119,833
19.	07-A-2080	RPD0975002004BA	\$4,990	\$1,996
20.	07-A-2081	RPD0975002005AA	\$244,870	\$99,268
21.	07-A-2082	RPD0975002005BA	\$647,780	\$26,028
22.	07-A-2083	RPD0975002006AA	\$187,300	\$76,583
23.	07-A-2084	RPD0975002006BA	\$46,360	\$18,790